

LAMAR CO UNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

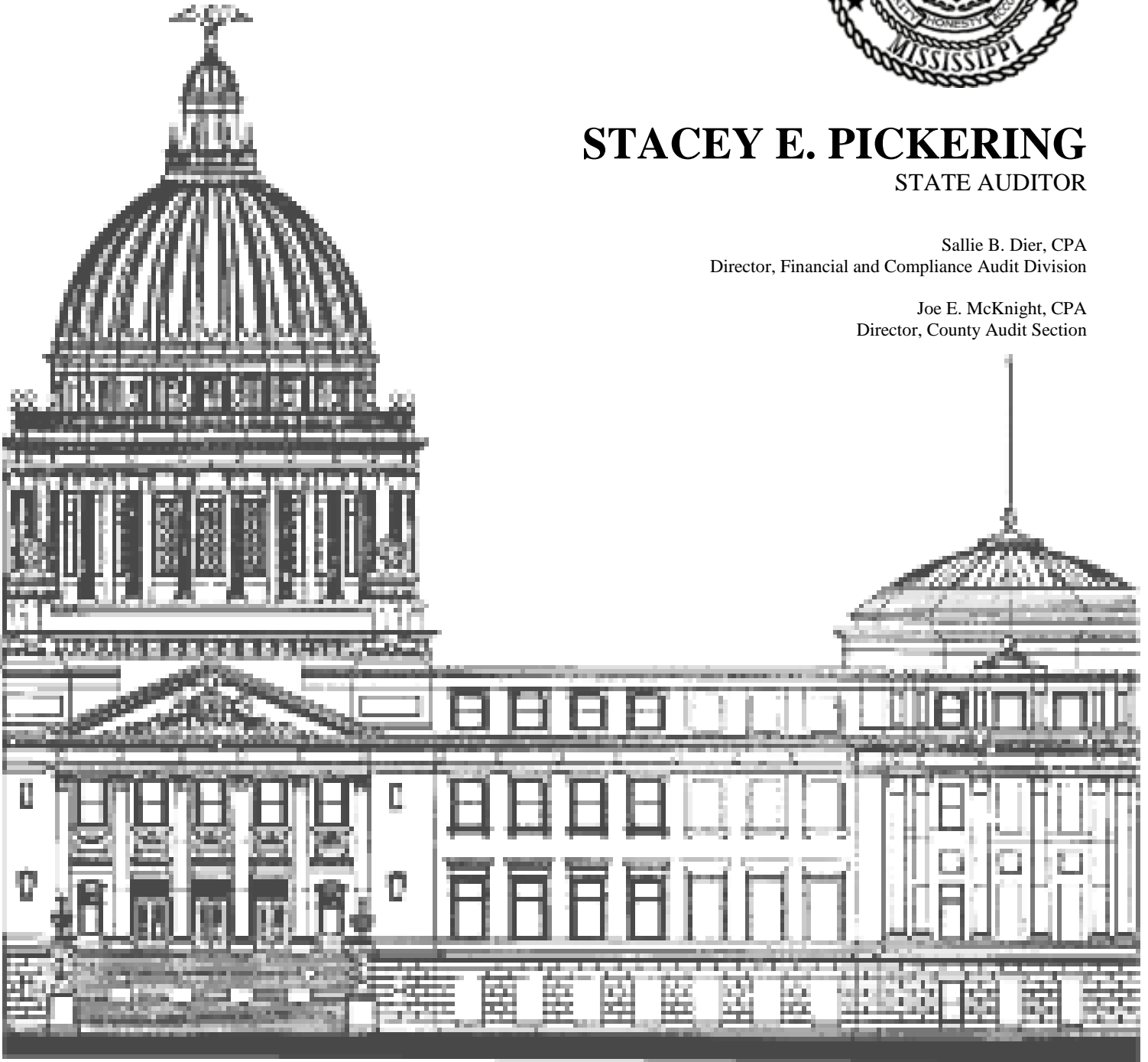


STACEY E. PICKERING

STATE AUDITOR

Sallie B. Dier, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 29, 2016

Members of the Board of Supervisors
Lamar County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Lamar County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Lamar County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lamar County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

LAMAR COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position.....	9
Statement of Activities	10
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	31
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	33
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Road Maintenance Fund	34
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – State Aid Road Fund	35
Notes to the Required Supplementary Information	37
SUPPLEMENTAL INFORMATION	39
Reconciliation of Operating Costs of Solid Waste	41
OTHER INFORMATION	43
Schedule of Surety Bonds for County Officials	45
SPECIAL REPORTS.....	47
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	51
Limited Internal Control and Compliance Review Management Report	57
SCHEDULE OF FINDINGS AND RESPONSES	63

LAMAR COUNTY

FINANCIAL SECTION

LAMAR COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Lamar County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable or the aging of these fines receivable for the Justice Court and Circuit Court. Adequate subsidiary records were not maintained and preserved for the Justice Court and Circuit Court fines receivable aging schedules at September 30, 2014. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$434,074, as of September 30, 2014. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Lamar County, Mississippi, as of September 30, 2014, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 9 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Lamar County, Mississippi, as of September 30, 2014, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Countywide Road Maintenance Fund, the State Aid Road Fund, and the aggregate remaining fund information of Lamar County, Mississippi, as of September 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Lamar County, Mississippi, has omitted the Management's Discussion and Analysis, and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamar County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of Lamar County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 29, 2016

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

FINANCIAL STATEMENTS

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 18,888,605
Property tax receivable	23,038,915
Fines receivable (net of allowance for uncollectibles of \$2,459,757)	434,074
Intergovernmental receivables	1,318,173
Other receivables	70,004
Capital assets:	
Land and construction in progress	6,556,778
Other capital assets, net	123,551,108
Total Assets	<u>173,857,657</u>
LIABILITIES	
Claims payable	1,285,846
Retainage payable	9,098
Intergovernmental payables	952,084
Accrued interest payable	39,965
Other payables	217,813
Claims and judgments payable	378,038
Long-term liabilities	
Due within one year:	
Capital debt	987,579
Due in more than one year:	
Capital debt	6,918,024
Non-capital debt	640,435
Total Liabilities	<u>11,428,882</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax for future reporting period	23,038,915
Total deferred inflows of resources	<u>23,038,915</u>
NET POSITION	
Net investment in capital assets	122,202,283
Restricted for:	
Expendable:	
General government	438,364
Public safety	2,965,762
Public works	5,080,018
Culture and recreation	123,409
Economic development and assistance	221,308
Debt service	223,679
Unrestricted	8,135,037
Total Net Position	<u>\$ 139,389,860</u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 9,044,046	2,264,671	219,803		(6,559,572)
Public safety	9,474,535	1,174,079	453,546	33,072	(7,813,838)
Public works	14,228,870	2,812	638,297	4,304,856	(9,282,905)
Health and welfare	623,074		295,585		(327,489)
Culture and recreation	1,396,436				(1,396,436)
Conservation of natural resources	133,953		486		(133,467)
Economic development and assistance	613,142		20,000	8,770	(584,372)
Interest on long-term debt	182,269				(182,269)
Total Governmental Activities	\$ 35,696,325	3,441,562	1,627,717	4,346,698	(26,280,348)
General revenues:					
Property taxes					\$ 24,237,155
Road & bridge privilege taxes					745,214
Grants and contributions not restricted to specific programs					2,145,481
Unrestricted gifts and donations					62,702
Unrestricted interest income					47,613
Miscellaneous					1,178,672
Total General Revenues					28,416,837
Changes in Net Position					2,136,489
Net Position - Beginning					137,880,692
Prior period adjustment					(627,321)
Net Position - Beginning, as restated					137,253,371
Net Position - Ending					\$ 139,389,860

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 9,910,063	1,668,097	11,065	7,299,380	18,888,605
Property tax receivable	13,181,000	5,118,000		4,739,915	23,038,915
Fines receivable (net of allowance for uncollectibles of \$2,459,757)	434,074				434,074
Intergovernmental receivables	444,506	873,667			1,318,173
Other receivables	57,802	10,070		2,132	70,004
Due from other funds	74,549	146,034		102,209	322,792
Total Assets	\$ 24,101,994	7,815,868	11,065	12,143,636	44,072,563
LIABILITIES					
Liabilities:					
Claims payable	\$ 761,815	200,985		323,046	1,285,846
Retainage payable				9,098	9,098
Intergovernmental payables	783,296	153,675			936,971
Due to other funds	242,370	95,535			337,905
Other payables	217,813				217,813
Claims and judgments payable	378,038				378,038
Total Liabilities	2,383,332	450,195	0	332,144	3,165,671
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	13,181,000	5,991,667		3,866,248	23,038,915
Unavailable revenue - grants				873,667	873,667
Unavailable revenue - fines	434,074				434,074
Total deferred inflows of resources	13,615,074	5,991,667	0	4,739,915	24,346,656
Fund balances:					
Restricted for:					
General government				438,364	438,364
Public safety				2,965,762	2,965,762
Public works		1,374,006	11,065	2,821,280	4,206,351
Culture and recreation				123,409	123,409
Economic development and assistance				221,308	221,308
Debt service				263,644	263,644
Committed to:					
Culture and recreation				237,810	237,810
Unassigned	8,103,588				8,103,588
Total Fund Balances	8,103,588	1,374,006	11,065	7,071,577	16,560,236
Total Liabilities and Fund Balances	\$ 24,101,994	7,815,868	11,065	12,143,636	44,072,563

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 16,560,236
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$73,344,317.	130,107,886
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	434,074
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,546,038)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(39,965)
Some accrued receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>873,667</u>
Total Net Position - Governmental Activities	\$ <u><u>139,389,860</u></u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2014

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 14,019,746	5,249,596		4,967,813	24,237,155
Road and bridge privilege taxes		745,214			745,214
Licenses, commissions and other revenue	1,020,731			282,625	1,303,356
Fines and forfeitures	619,307			562,805	1,182,112
Intergovernmental revenues	2,559,562	737,344	4,184,079	775,880	8,256,865
Charges for services	89,542			598,719	688,261
Interest income	33,920	4,678		9,015	47,613
Miscellaneous revenues	895,701	55,601		227,370	1,178,672
Total Revenues	19,238,509	6,792,433	4,184,079	7,424,227	37,639,248
EXPENDITURES					
Current:					
General government	8,164,850			747,423	8,912,273
Public safety	6,287,857			2,790,356	9,078,213
Public works		6,514,664	4,184,079	2,781,432	13,480,175
Health and welfare	551,193			86,368	637,561
Culture and recreation	1,096,374			363,327	1,459,701
Conservation of natural resources	133,953				133,953
Economic development and assistance	354,763			189,755	544,518
Debt service:					
Principal	325,000			415,828	740,828
Interest	91,126			84,661	175,787
Total Expenditures	17,005,116	6,514,664	4,184,079	7,459,150	35,163,009
Excess of Revenues over (under) Expenditures	2,233,393	277,769	0	(34,923)	2,476,239
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		350,000			350,000
Proceeds from sale of capital assets	4,563	25,350		1,330	31,243
Transfers in	4,200		11,065	2,032,974	2,048,239
Transfers out	(1,764,622)	(118,019)		(165,598)	(2,048,239)
Total Other Financing Sources and Uses	(1,755,859)	257,331	11,065	1,868,706	381,243
Net Changes in Fund Balances	477,534	535,100	11,065	1,833,783	2,857,482
Fund Balances - Beginning	7,626,054	838,906		5,237,794	13,702,754
Fund Balances - Ending	\$ 8,103,588	1,374,006	11,065	7,071,577	16,560,236

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,857,482
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$6,687,922 exceeded capital outlays of \$5,575,192 in the current period.	(1,112,730)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$5,805 and the proceeds from the sale of \$31,243 in the current period.	(37,048)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	267,833
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$740,828 exceeded debt proceeds of \$350,000.	390,828
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences payable	(149,127)
Increase in accrued interest payable	(6,482)
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net position differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds.	<u>(74,267)</u>
Change in Net Position of Governmental Activities	\$ <u>2,136,489</u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	219,911
Due from other funds		15,113
Total Assets	\$	<u>235,024</u>
LIABILITIES		
Amounts held in custody for others	\$	186,212
Intergovernmental payables		48,812
Total Liabilities	\$	<u>235,024</u>

The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lamar County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lamar County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Lamar County Economic Development District
- Lamar County Library Association
- Northeast Lamar Fire Protection District
- Pine Ridge Fire Protection District
- Central Lamar Fire Protection District
- Southwest Lamar Fire Protection District
- Oak Grove Fire Protection District
- Beaver Lake Fire Protection District
- Oloh Fire Protection District
- Southeast Lamar Fire Protection District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for countywide road maintenance.

State Aid Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for State Aid road and bridge maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue - property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – grants – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County’s highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provision of these standards have been incorporated into the financial statements and notes.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in capital assets, net.	\$ (627,321)

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$19,108,516, and the bank balance was \$18,873,020. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Countywide Road Maintenance Fund	\$ 74,549
Countywide Road Maintenance Fund	General Fund	146,034
Other Governmental Funds	General Fund	81,223
Other Governmental Funds	Countywide Road Maintenance Fund	20,986
Agency Funds	General Fund	15,113
Total		\$ 337,905

The receivables represent the tax revenue collected in September, 2014 but not settled until October, 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

LAMAR COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 4,200
State Aid Road Fund	Other Governmental Funds	11,065
Other Governmental Funds	General Fund	1,764,622
Other Governmental Funds	Other Governmental Funds	150,333
Other Governmental Funds	Countywide Road Maintenance Fund	118,019
Total		\$ <u>2,048,239</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 444,506
Disaster grants – public assistance (presidentially declared disasters)	<u>873,667</u>
Total Governmental Activities	\$ <u>1,318,173</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	<u>Balance Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Balance Sept. 30, 2014</u>
Non-depreciable capital assets:					
Land	\$ 1,755,184			(526,522)	1,228,662
Construction in progress	<u>4,623,871</u>	<u>4,509,414</u>		<u>(3,805,169)</u>	<u>5,328,116</u>
Total non-depreciable capital assets	<u>6,379,055</u>	<u>4,509,414</u>	<u>0</u>	<u>(4,331,691)</u>	<u>6,556,778</u>
Depreciable capital assets:					
Infrastructure	150,242,692				150,242,692
Buildings	22,960,291			3,805,173	26,765,464
Improvements other than buildings	237,169				237,169
Mobile equipment	17,219,002	607,538	370,462	(909,461)	16,546,617
Furniture and equipment	2,711,628	71,258		(246,103)	2,536,783
Leased property under capital leases	<u>179,718</u>	<u>386,982</u>			<u>566,700</u>
Total depreciable capital assets	<u>193,550,500</u>	<u>1,065,778</u>	<u>370,462</u>	<u>2,649,609</u>	<u>196,895,425</u>

LAMAR COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Less accumulated depreciation for:					
Infrastructure	48,576,730	5,077,413			53,654,143
Buildings	4,156,494	533,788			4,690,282
Improvements other than buildings	128,848	9,490			138,338
Mobile equipment	12,867,673	860,369	333,414	(818,511)	12,576,117
Furniture and equipment	2,169,582	135,197		(236,250)	2,068,529
Leased property under capital leases	145,243	71,665			216,908
Total accumulated depreciation	<u>68,044,570</u>	<u>6,687,922</u>	<u>333,414</u>	<u>(1,054,761)</u>	<u>73,344,317</u>
 Total depreciable capital assets, net	 <u>125,505,930</u>	 <u>(5,622,144)</u>	 <u>37,048</u>	 <u>3,704,370</u>	 <u>123,551,108</u>
 Governmental activities capital assets, net	 <u>\$ 131,884,985</u>	 <u>(1,112,730)</u>	 <u>37,048</u>	 <u>(627,321)</u>	 <u>130,107,886</u>

*Adjustments are to correct errors in the capital asset records and to reflect certain routine reclassifications of paid off capital leases and completed construction in progress.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 463,006
Public safety	640,007
Public works	5,477,943
Health and welfare	4,888
Culture and recreation	34,960
Economic development and assistance	<u>67,118</u>
Total governmental activities depreciation expense	<u>\$ 6,687,922</u>

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Purvis-Columbia Road Bridge	\$ 1,050,445	June, 2017
Emergency Management Building Addition	931,432	January, 2015
Pine Burr Road Bridge	14,195	December, 2014

As of September 30, 2014, the County had the following commitments:

On October 16, 2001, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds. The bonds were issued for the development and construction of necessary infrastructure improvements located within the city and county in the amount of \$1,000,000. The County pledged to provide annual payments equal to or lesser of (a) \$40,000 per year or (b) one-half the debt service on the City's Tax Increment Limited Obligation Bonds. The amount paid was \$29,301 in the 2014 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

On June 24, 2004, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$4,500,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Crossing Project located within the city and county. The County pledged to pay an amount sufficient to pay 25% of the principal and interest on the bonds. The amount paid was \$145,395 in the 2014 fiscal year. The County's payments are paid annually from the revenues generated by tax increment financing.

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Claims and Judgments Payable.

On August 29, 2013, Lamar County, Mississippi was ordered to pay \$337,088 plus interest by court order of the Chancery Court of Forrest County, Mississippi as judgment in a lawsuit against the County. On September 13, 2013, Lamar County paid \$337,088 plus interest to date of \$40,949 to the plaintiff in accordance with the court order. However, on January 9, 2014, these checks were returned to the County by the plaintiff, and the plaintiff subsequently appealed the case to the Mississippi Supreme Court. The County voided these returned checks as cancelled warrants on January 31, 2014. The expenditure is deemed valid by the County in the September 30, 2013 fiscal year as the County in good faith followed the instructions provided by the order of the court. To account for the County's payments being subsequently returned, an entry was made to record the cash in bank in the 2013 fiscal year, and report a claims and judgments payable for the \$378,037 owed. On March 23, 2015, the County issued checks for \$337,088 plus interest of \$40,949 to the plaintiff. As of August 31, 2015, the checks had not been returned.

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 566,700
Less: Accumulated depreciation	<u>(216,908)</u>
Leased Property Under Capital Leases	<u>\$ 349,792</u>

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 136,949	8,070
2016	125,948	5,523
2017	128,067	3,404
2018	10,043	1,244
2019	10,441	846
2020 – 2024	10,856	431
Total	\$ 422,304	19,518

(9) Other Postemployment Benefits.

Plan Description

The Lamar County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Lamar County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(10) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2012 G.O. Bonds – Courthouse	\$ 2,490,000	2.00%	09/2022
Lamar County G.O. Refunding Bonds, Series 2010	2,535,000	3.95%	08/2021
Lamar County G.O. Refunding Bonds – Fire Trucks	1,085,000	2.05%	04/2022
Total General Obligation Bonds	\$ 6,110,000		
B. Capital Leases:			
Used 2005 vacuum tanker	\$ 13,079	3.58%	08/2015
2005 fire rescue truck	59,225	3.97%	01/2020
(2) International knuckle boom loader/D5K dozers	350,000	1.49%	06/2017
Total Capital Leases	\$ 422,304		

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Capital improvement loan (Pine Ridge fire truck)	\$ 41,819	2.00%	04/2017
Capital improvement loan (Southwest fire truck)	35,609	2.00%	03/2017
Capital improvement loan (Central Lamar fire truck)	162,630	3.00%	10/2028
Southwest fire station	36,940	2.00%	12/2030
Hickory Grove pumper	109,510	2.00%	02/2023
Oloh fire station	104,176	2.00%	02/2031
Northeast fire station	127,781	2.00%	03/2031
Southwest CAP loan	45,505	2.00%	11/2030
Southwest fire station	61,803	2.00%	11/2030
Hickory Grove fire station	59,656	2.00%	11/2030
Pine Ridge fire station	48,402	2.00%	12/2030
Central Lamar CAP loan	107,744	2.00%	12/2031
Rockhill CAP loan	89,109	2.00%	06/2032
Beaver Lake fire truck	87,740	2.00%	06/2022
Northeast fire aerial unit	254,875	2.00%	06/2022
Total Other Loans	\$ 1,373,299		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 725,000	149,850	125,630	28,429
2016	745,000	135,012	128,268	25,791
2017	775,000	117,886	130,205	23,083
2018	795,000	99,459	106,604	20,344
2019	820,000	79,023	108,873	18,075
2020 – 2024	2,250,000	96,730	435,520	57,579
2025 – 2029			265,713	21,459
2030 – 2034			72,487	1,339
Total	\$ 6,110,000	677,960	1,373,300	196,099

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 1.03% of the latest property assessments.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 491,308	149,127			640,435	
General obligation bonds	6,695,000		585,000		6,110,000	725,000
Capital leases	93,525	350,000	21,221		422,304	136,949
Other loans	1,507,906		134,607		1,373,299	125,630
Total	\$ 8,787,739	499,127	740,828	0	8,546,038	987,579

Compensated absences will be paid from the funds from which the employees' salaries were paid, which are generally the General Fund, Countywide Road Maintenance Fund, Bridge Maintenance Fund, Sanitation and Fire District Coordination Fund.

(11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(12) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County has appropriated \$207,663 for its support in fiscal year 2014.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$85,000 for its support in fiscal year 2014.

LAMAR COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$61,015 for support of the district in fiscal year 2014.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County appropriated \$971,406 for maintenance and support of the college in the fiscal year 2014.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides the amount of support designed by statute which is one-half mill for each participating entity. The County appropriated \$111,500 for support of the district in fiscal year 2014.

(13) Defined Benefit Pension Plan.

Plan Description. Lamar County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$1,707,573, \$1,564,756 and \$1,330,393, respectively, equal to the required contributions for each year.

LAMAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 13,210,300	14,001,909	14,001,909	
Licenses, commissions and other revenue	889,000	1,048,237	1,048,237	
Fines and forfeitures	527,000	540,336	540,336	
Intergovernmental revenues	1,729,000	2,542,427	2,542,427	
Charges for services	120,000	89,541	89,541	
Interest income	88,000	34,309	34,309	
Miscellaneous revenues	425,000	903,786	903,786	
Total Revenues	<u>16,988,300</u>	<u>19,160,545</u>	<u>19,160,545</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	9,280,862	8,114,808	8,114,808	
Public safety	6,304,754	6,395,512	6,395,512	
Health and welfare	855,013	539,966	539,966	
Culture and recreation	1,379,631	1,058,785	1,058,785	
Conservation of natural resources	135,324	134,397	134,397	
Economic development and assistance	321,407	337,248	337,248	
Debt service:				
Principal	499,696	499,695	499,695	
Interest	91,126	91,126	91,126	
Total Expenditures	<u>18,867,813</u>	<u>17,171,537</u>	<u>17,171,537</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,879,513)</u>	<u>1,989,008</u>	<u>1,989,008</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			1,573	1,573
Transfers in			54,200	54,200
Transfers out	<u>(1,150,000)</u>	<u>(1,640,000)</u>	<u>(1,640,000)</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>(1,150,000)</u>	<u>(1,640,000)</u>	<u>(1,584,227)</u>	<u>55,773</u>
Net Change in Fund Balance	(3,029,513)	349,008	404,781	55,773
Fund Balances - Beginning	<u>6,523,000</u>	<u>7,921,446</u>	<u>7,626,052</u>	<u>(295,394)</u>
Fund Balances - Ending	<u>\$ 3,493,487</u>	<u>8,270,454</u>	<u>8,030,833</u>	<u>(239,621)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LAMAR COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance Fund
For the Year Ended September 30, 2014
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,010,000	5,240,474	5,240,474	
Road and bridge privilege taxes	600,000	689,272	689,272	
Intergovernmental revenues	805,000	986,554	986,554	
Interest income	15,000	4,629	4,629	
Miscellaneous revenues	900	55,601	55,601	
Total Revenues	<u>6,430,900</u>	<u>6,976,530</u>	<u>6,976,530</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>7,219,379</u>	<u>7,026,620</u>	<u>7,026,620</u>	
Total Expenditures	<u>7,219,379</u>	<u>7,026,620</u>	<u>7,026,620</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(788,479)</u>	<u>(50,090)</u>	<u>(50,090)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		350,000	350,000	
Proceeds from sale of capital assets		15,625	15,625	
Transfers in		50,914	50,914	
Total Other Financing Sources and Uses	<u>0</u>	<u>416,539</u>	<u>416,539</u>	<u>0</u>
Net Change in Fund Balance	<u>(788,479)</u>	<u>366,449</u>	<u>366,449</u>	<u>0</u>
Fund Balances - Beginning	<u>1,300,000</u>	<u>1,301,648</u>	<u>838,905</u>	<u>(462,743)</u>
Fund Balances - Ending	<u>\$ 511,521</u>	<u>1,668,097</u>	<u>1,205,354</u>	<u>(462,743)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LAMAR COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Road Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	241,962	241,962	
Total Revenues	<u>0</u>	<u>241,962</u>	<u>241,962</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		241,962	241,962	
Total Expenditures	<u>0</u>	<u>241,962</u>	<u>241,962</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		11,065	11,065	
Total Other Financing Sources and Uses	<u>0</u>	<u>11,065</u>	<u>11,065</u>	<u>0</u>
Net Change in Fund Balance	0	11,065	11,065	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>11,065</u>	<u>11,065</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2014

UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Countywide Road Fund	State Aid Road Fund
Budget (Cash Basis)	\$ 404,781	366,449	11,065
Increase (Decrease)			
Net adjustments for revenue accruals	30,953	(225,286)	3,942,117
Net adjustments for expenditure accruals	<u>41,799</u>	<u>393,937</u>	<u>(3,942,117)</u>
GAAP Basis	<u>\$ 477,533</u>	<u>535,100</u>	<u>11,065</u>

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

SUPPLEMENTAL INFORMATION

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2014

Operating Expenditures, Cash Basis:

Salaries	\$	670,956
Expendable Commodities:		
Gasoline and petroleum products		151,262
Repair parts		37,046
Tires		29,746
Maintenance		4,271
Solid waste disposal fees		423,894
Uniforms		13,010
Telephone and utilities		6,898
Professional fees		5,920
Supplies		10,265
Equipment		<u>124,294</u>

Solid Waste Cash Basis Operating Expenditures		1,477,562
---	--	-----------

Full Cost Expenses:

Indirect administrative costs		1,974
Depreciation on equipment		101,269
Net effect of other accrued expenses		<u>(713)</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>1,580,092</u></u>
--	----	-------------------------

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

OTHER INFORMATION

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Mike Backstrom	Supervisor District 1	Ohio Casualty Insurance Co.	\$100,000
Warren Byrd	Supervisor District 2	Ohio Casualty Insurance Co.	\$100,000
Joe Bounds	Supervisor District 3	Ohio Casualty Insurance Co.	\$100,000
Phillip Carlisle	Supervisor District 4	Ohio Casualty Insurance Co.	\$100,000
Dale Lucas	Supervisor District 5	Ohio Casualty Insurance Co.	\$100,000
Chuck Bennett	County Administrator	Ohio Casualty Insurance Co.	\$100,000
Wayne Smith	Chancery Clerk	Ohio Casualty Insurance Co.	\$100,000
Jordan Norris	Purchase Clerk	Ohio Casualty Insurance Co.	\$75,000
Loretta Sones	Assistant Purchase Clerk	Ohio Casualty Insurance Co.	\$50,000
Charles E. Bennett	Assistant Purchase Clerk	Ohio Casualty Insurance Co.	\$50,000
Jacqueline Pierce	Receiving Clerk	Ohio Casualty Insurance Co.	\$75,000
Joey Walker	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Mary Ann Hollingsworth	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Sharon Herrin	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Judy Anderson	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Condra Morrow	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Tara Coggins	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Curtis Jefferson	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Delane Martin	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Dean Smith	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Stanley Rayborn	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Jane Hemby	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Robin Duncan	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Terry Bass	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Debra Collins	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Karlee Clinton	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Regina Breazeale	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Ryan Pigott	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Heather Strange	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
John Bounds	Assistant Receiving Clerk	Ohio Casualty Insurance Co.	\$50,000
Robert Byrd	Inventory Control Clerk	Ohio Casualty Insurance Co.	\$75,000
Jake Sones	Road Manager	Ohio Casualty Insurance Co.	\$50,000
Tommy Jones	Road Manager	Ohio Casualty Insurance Co.	\$50,000
Wayne Hale	Constable	Ohio Casualty Insurance Co.	\$50,000
Leighton Chance Curry	Constable	Ohio Casualty Insurance Co.	\$50,000
Danny Edwards	Constable	Ohio Casualty Insurance Co.	\$50,000
Leslie Wilson	Circuit Clerk	Ohio Casualty Insurance Co.	\$100,000
Danny Rigel	Sheriff	Ohio Casualty Insurance Co.	\$100,000
William Anderson	Justice Court Judge	Ohio Casualty Insurance Co.	\$50,000
Denton Plumlee	Justice Court Judge	Ohio Casualty Insurance Co.	\$50,000
Charles Greer	Justice Court Judge	Ohio Casualty Insurance Co.	\$50,000
Sandra Owen Barrett	Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Julia Knue	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Malissa Cameron	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Jane Hemby	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000

LAMAR COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Anita McQueen	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Sonya Broome	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
James "Jim" Perry	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Jason Alexander	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Adam Kessler	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Matthew Spears	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
James "Mike" Purvis	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Brad Weathers	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Jimmie Smith	Deputy Justice Court Clerk	Ohio Casualty Insurance Co.	\$50,000
Jack Smith	Tax Collector-Assessor	Ohio Casualty Insurance Co.	\$100,000

LAMAR COUNTY

SPECIAL REPORTS

LAMAR COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is also qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. Additionally, the report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Justice Court and Circuit Court fines receivable, net and the aging of these receivables at September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamar County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-001, 2014-002, 2014-003, 2014-004 and 2014-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Lamar County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated March 29, 2016, included within this document.

Lamar County's Responses to Findings

Lamar County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Lamar County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 29, 2016



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lamar County, Mississippi

We have examined Lamar County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Lamar County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lamar County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk.

1. Two competitive written bids should be obtained when required.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), provides that purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained. As reported in the prior year audit report, we noted in our audit test work that two competitive written bids were not obtained for the purchase of petroleum products with a purchase price greater than \$5,000. Failure to obtain competitive written bids could result in excess costs to the County.

Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000, as required by law.

Purchase Clerk's Response

The Purchasing Clerk will implement necessary internal controls to verify two written quotes are obtained when required.

Inventory Control Clerk

2. Inadequate controls exist over the inventory control system.

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, costs, locations, acquisition dates, disposition dates, methods of dispositions, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. As reported in the prior five years' audit reports, deficiencies were noted in the capital assets records. Adjustments totaling \$627,321 were made to the capital assets records during the fiscal year 2014 for assets that had been deleted or sold in previous years. Audit adjustments to correct this error were proposed to management and made to the financial statements with management's approval. The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified correctly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Response

The Inventory Control Clerk has implemented necessary internal controls to verify deletions/disposals are kept current and accurate.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Lamar County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Lamar County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lamar County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 29, 2016

LAMAR COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
11/21/2013	Rip-Rap	\$ 47 per ton	Vulcan Materials	\$ 46 per ton	Other vendor went out of business.

LAMAR COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
02/20/14	Intercom	\$ 14,690	B&E Communications	Intercom system is a safety function for the Jail Complex.

LAMAR COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
03/04/2014	Traffic Signal Equipment Pole	\$	21,747	Powell Construction Services, Inc.



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2014, we considered Lamar County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lamar County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 29, 2016, on the financial statements of Lamar County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Funds restricted for maintenance and construction of roads were used to pay construction costs of the E-911 center addition.

Finding

Sections 27-39-305(1), 27-19-99(2), 27-5-10(b)(vi) and 27-19-11, Miss. Code Ann. (1972), restrict the use of all funds received by the County for construction, reconstruction and maintenance of the public roads, bridges or culverts of the County. During our audit test work, we noted that the County transferred a refund for workers' compensation insurance premiums in the amount of \$118,019 from the Countywide Road Maintenance Fund to a capital projects fund for the construction of an addition to the County's E-911 center. Failure to refund the overpayment to the appropriate fund resulted in a diversion of public funds.

Recommendation

The County should transfer the refund from the capital projects fund to the countywide road maintenance fund to correct this noncompliance.

Board of Supervisors' Response

There is no accurate method available to make the determination of how much of the W/C money was owed to the Countywide Road fund, so all excess W/C monies were transferred to a capital projects upon board approval.

2. The solid waste tax levy was used to pay construction costs of the E-911 center addition.

Finding

Section 19-5-21, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy an ad valorem tax not to exceed four (4) mills to defray the cost of establishing and operating the garbage and rubbish disposal system. The County transferred a refund for workers' compensation insurance premiums in the amount of \$31,839 from the sanitation fund to a capital projects fund for the construction of an addition to the County's E-911 center. Failure to refund the overpayment to the appropriate fund resulted in a diversion of public funds.

Recommendation

The County should transfer the refund from the capital projects fund to the sanitation fund to correct this noncompliance.

Board of Supervisors' Response

There is no accurate method available to make the determination of how much of the workers comp money was owed to the solid waste fund, so all excess W/C monies were transferred to a capital projects funds upon board approval.

3. The fire protection tax levy was used to pay construction costs of the E-911 center addition.

Finding

Section 83-1-39(5)(d), Miss. Code Ann. (1972), requires the Board of Supervisors to levy a tax of not less than one-fourth (1/4) mill on all property of the county or appropriate avails of not less than one-fourth (1/4) mill from the general fund for fire protection purposes. The County transferred a refund for workers' compensation insurance premiums in the amount of \$11,810 from the fire coordination fund to a capital projects fund for the construction of an addition to the County's E-911 center. Failure to refund the overpayment to the appropriate fund resulted in a diversion of public funds.

Recommendation

The County should transfer the refund from the capital projects fund to the fire coordination fund to correct this noncompliance.

Board of Supervisors' Response

There is no accurate method available to make the determination of how much of the workers comp money was owed to the fire protection fund, so all excess W/C monies were transferred to a capital projects funds upon board approval.

4. The countywide bridge tax levy was used to pay construction costs of the E-911 center addition.

Finding

Section 65-15-7, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy annually an ad valorem tax on all taxable property of the county, to be used for constructing and maintaining all bridges and culverts on the public roads throughout the county. The County transferred a refund for workers' compensation insurance premiums in the amount of \$55,934 from the countywide bridge fund to a capital projects fund for the construction of an addition to the County's E-911 center. Failure to refund the overpayment to the appropriate fund resulted in a diversion of public funds.

Recommendation

The County should transfer the refund from the capital projects fund to the countywide bridge fund to correct this noncompliance.

Board of Supervisors' Response

There is no accurate method available to make the determination of how much of the workers comp money was owed to the countywide bridge fund, so all excess workers comp monies were transferred to a capital projects fund upon board approval.

5. Retired service employees should not earn more than indicated on PERS Form 4B.

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), counties hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" with the PERS office. This form indicates the amount that will be earned during the re-employment period. During our audit test work, we noted one instance of an employee being paid more than the amount noted on PERS Form 4B. Failure to monitor the amounts paid to PERS service retirees could result in the Mississippi Public Employees Retirement System assessing a penalty against the County.

Recommendation

The Board of Supervisors and Payroll Clerk should monitor that all PERS service retirees are paid according to the indicated amount on the PERS Form 4B.

Board of Supervisors' Response

The Board of Supervisors plan to implement necessary internal controls to assure an employee is not paid in excess of the amount reported/allowed on form 4B.

6. Lamar County should strengthen passwords.

Finding

As reported in the prior year audit report, we noted that Lamar County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that do not meet these standards, thereby creating unnecessary risk for Lamar County Information Assets.

Recommendation

We recommend that Lamar County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

Beginning January 4, 2016, the IT Department will be implementing a NEW help desk system. It was purchased by Lamar County in December 2015 called, *Manage Engine Service Desk Plus*.

This software connects directly to our existing *Microsoft Server Active Directory* and will give Lamar County IT the capability of implementing strong passwords that will expire on a regular basis. In addition, this software will allow the user to reset his/her password based on security questions.

The implementation of strong passwords, expiring on a regular basis is scheduled within the first quarter, 2016.

7. Lamar County should establish and test a disaster recovery process.

Finding

As reported in the prior year audit report, during our review of the Information Systems controls of Lamar County ("the County"), we noted the County has not established a disaster recovery process. As a result, Lamar County cannot fully ensure that the County's Information Systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs, and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

Lamar County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Lamar County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Lamar County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

The IT Department has contacted local networking vendors to help implement disaster recovery procedures.

Currently, both of the AS400 servers located in the Chancery and Tax Offices are backed up to tape and stored in a safe on a nightly rotation. In addition, the windows data servers are currently backed up using a 26-drive Storage Area Network (SAN) system.

Within the next few months, the IT Department will be purchasing virtual servers. This will allow for automated backups and quick recovery. The plan will be to setup SAN devices in remote locations and backup the virtual servers across the existing fiber network.

Once these systems are functioning, a proper disaster recovery and restoration procedure can be implemented.

8. Lamar County should expire all individual's passwords on a periodic basis.

Finding

As reported in the prior year audit report, a review of Lamar County's security settings revealed that some users' passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with a policy to be determined by Lamar County.

Recommendation

We recommend that a policy be implemented to ensure all passwords expire on a regular basis. In addition, Lamar County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by the auditors.

Board of Supervisors' Response

Beginning January 4, 2016, the IT Department will be implementing a NEW help desk system. It was purchased by Lamar County in December 2015 called, *Manage Engine Service Desk Plus*.

This software connects directly to our existing *Microsoft Service Active Directory* and will give Lamar County IT the capability of implementing strong passwords that will expire on a regular basis. In addition, this software will allow the user to reset his/her password based on security questions.

The implementation of strong passwords, expiring on a regular basis is scheduled within the first quarter, 2016.

9. The County should settle additional privilege taxes on carriers of property and on buses to the appropriate tax districts.

Finding

Section 27-19-11, Miss. Code Ann. (1972), states that, in addition to the annual highway privilege tax levied on each motor vehicle, truck-tractor, or road tractor of each carrier of property, and on each bus, an additional annual privilege tax is levied on vehicles with a gross weight exceeding ten thousand (10,000) pounds. The statute goes on to state that the additional privilege tax shall be distributed to the counties on the basis of the ratio of the number of motor vehicles registered in excess of ten thousand (10,000) pounds, in each taxing district in each county, to the total number of such vehicles registered statewide. The counties shall then distribute these proceeds as they would if these collections were ad valorem taxes. The results of our audit procedures disclosed that the County settled all of the privilege taxes on carriers of property and buses received to the Countywide Road Maintenance Fund. None of the taxes were settled to the appropriate taxing districts. Failure to settle the additional privilege taxes to the appropriate taxing district is a direct violation of state statute and could result in the misappropriation of public funds.

Recommendation

The Board of Supervisors should implement controls to ensure the additional privilege taxes are settled to the applicable taxing districts in accordance with the additional privilege schedule that comes with the state warrant.

Board of Supervisors' Response

The Board of Supervisors has implemented necessary controls to ensure additional privilege taxes are settled to the applicable taxing districts.

Deputy Circuit Clerks.

10. Deputy Circuit Clerks should be bonded as required by state statute.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As reported in the prior year audit report, the Deputy Circuit Clerks were not properly bonded for all of fiscal year 2014. Failure to bond Deputy Circuit Clerks as required by law could result in the loss of public funds.

Recommendation

The Deputy Circuit Clerks should execute a bond with a minimum of \$50,000 and a maximum of \$100,000 each, as required by law.

Deputy Circuit Clerks' Response

All Deputy Circuit Clerks were bonded for \$50,000 in March of 2014.

Deputy Tax Assessors.

11. Deputy Tax Assessors should be bonded as required by state statute.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000. As reported in the prior year audit report, the Deputy Tax Assessors were not bonded for all of fiscal year 2014. Failure to bond Deputy Tax Assessors as required by law could result in loss of public funds.

Recommendation

The Deputy Tax Assessors should execute a bond in the amount of \$10,000 each, as required by law.

Deputy Tax Assessors' Response

All Deputy Tax Assessors were bonded for \$50,000 in March of 2014.

Lamar County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 29, 2016

LAMAR COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAMAR COUNTY

(This page left blank intentionally.)

LAMAR COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Countywide Road Maintenance Fund	Unmodified
State Aid Road Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? None reported
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. Financial data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the County's component units be reported with the financial data of the County's primary government unless the County also issued financial statement for the reporting entity that includes the financial data for its component units. As reported in the prior six years' audit reports, the financial statements do not include the financial data for the County's legally separate component units. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the aggregate discretely presented component units' opinion unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

The BOS does not feel that the cost associated with providing financial data for its separate component units outweighs the efforts of accepting an adverse opinion.

LAMAR COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2014

Material Weakness

- 2014-002. Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Finding

Lamar County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined health care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior five years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosure can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data associated with its retirement benefits outweighs the effects of accepting a qualified opinion.

Inventory Control Clerk.

Material Weakness

- 2014-003. Inadequate controls exist over the inventory control system.

Finding

An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, costs, locations, acquisition dates, disposition dates, methods of dispositions, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. As reported in the prior five years' audit reports, deficiencies were noted in the capital assets records. Adjustments totaling \$627,321 were made to the capital assets records during the fiscal year 2014 for assets that had been deleted or solid in previous years. Audit adjustments to correct this error were proposed to management and made to the financial statements with management's approval. The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

LAMAR COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2014

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified correctly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete.

Response

The Inventory Control Clerk has implemented necessary internal controls to verify deletions/disposals are kept current and accurate.

Circuit Court Clerk.

Material Weakness

2014-004. The Circuit Court Clerk should establish effective controls over fines receivable records.

Finding

An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance. As reported in the prior year audit report, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable as of September 30, 2014. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.

Recommendation

The Circuit Court Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging of fines receivable. The Circuit Clerk should also preserve a copy of these records.

Circuit Court Clerk's Response

I will correct the finding.

Justice Court Clerk.

Material Weakness

2014-005. The Justice Court Clerk should establish effective controls over fines receivable records.

Finding

An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance. As reported in the prior year audit report, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable as of September 30, 2014. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

LAMAR COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Recommendation

The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging of fines receivable. The Justice Court Clerk should also preserve a copy of these records.

Justice Court Clerk's Response

This has been corrected for the year 2015 and the issue has been corrected.